the time of physical inspection. In response, the carriers provided a range of documentation requesting scoring changes.[25]

There are several problems with not only the re-scoring criteria applied by the ASD but the manner by which re-scoring took place. The most notable problem is that the ASD never disclosed to or discussed with the RBOCs their re-scoring standards or the specific documentation needed to meet the above "probative evidence" standard prior to date of submission. It is no wonder that the ASD received a broad range of documentation requesting scoring changes, as the Company and other RBOCs were left to interpret such re-scoring criteria themselves. As authoritative auditing literature does not prescribe specific evidentiary standards for the evaluation of support documentation, the Company was left with no other choice than to judgmentally evaluate the documentation accumulated and assess its reasonableness.

The ASD clearly imposed strict evidentiary standards in its review of support documentation but neglected to perform the most basic, and most persuasive, of audit procedures to verify the accuracy of such documentation and the existence of the assets in question, even though the ASD states (correctly) in the Public Notice that "the best evidence that verified whether an item was accurately recorded in the CPRs was the auditors' physical inspection during the field audits."[26] The obvious question that still begs to be answered here is -- why didn't the ASD auditors ever go back into the field to re-verify their initial physical inspection results and/or validate the supplemental evidence as to the asset's existence provided by the Company?

The auditors never returned to the field to re-verify its scoring by physical inspection or discussed the results of their scoring with the appropriate Company personnel. The existence of additional audit evidence should at a minimum give rise to procedures to validate such information. Such procedures cannot properly be performed "in a vacuum" by the ASD but rather must involve interaction with Company personnel where the merits of the additional audit evidence can be discussed and interpreted. This is especially necessary given the different forms of documentation maintained by the individual RBOCs, where different forms of documentation may be used differently from one company to the next in support of plant accounting entries.

As noted in my Prior Declaration, AA performed certain re-verification and re-scoring procedures in conjunction with Ameritech's response to the July Report. The procedures performed and results achieved are detailed in my Prior Declaration. Our review focused on high-dollar value items classified by the ASD as "not found." Of the 38 items reviewed, AA was able to physically verify 15 items and substantiate the CPR value and quantity through review of supplemental information of an additional 5 items. AA's testing should demonstrate that the ASD's audit results are flawed and that the ASD was remiss in its responsibility to follow-up on the information provided by the Company.

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[25] Public Notice, p. 2.

[26] Public Notice, pp. 1-2.

The ASD's "probative evidence" standard is not a term of art in the auditing profession and prescribes a standard over and above that suggested by GAAS or GAGAS. GAAS recognizes that the nature and extent of audit evidence will vary among audits and that proof "beyond a reasonable doubt" will rarely be obtained. Thus, the ASD's "probative evidence" standard in the real world will rarely, if ever, be achieved. What GAAS (as well as GAGAS) then directs the auditor to do is obtain additional persuasive evidence - not ignore the documentation supplied because it doesn't meet, in the ASD's interpretation, this arbitrarily high standard.

Further, the ASD did not review internal controls over the hardwired COE CPRs in order to determine the nature, timing and extent of audit testing to be performed. In addition, the ASD didn't develop a proper understanding of the COE internal control environment in order to provide the basis for the evaluation of specific audit evidence and audit results. A review of internal controls not only could have influenced the nature and scope of audit testing procedures performed by the ASD in its audit, but it would have provided the ASD a sound basis for accepting or rejecting various types of supporting documentation supplied by the companies. For example, had the ASD reviewed the controls over the Company's retirements process, including key systems used in the retirement of COE assets, and found them reliable, then reliance on computer generated documentation of COE retirements as valid supporting documentation would clearly have been justified. By failing to review internal controls over COE-related processes, the ASD failed to justify any standard for review of support documentation.

As discussed above, many deficiencies were noted with respect to ASD's compliance with GAGAS, which standards were supposedly followed by ASD in performing its audits and evaluating additional support documentation. Standards of review must exist so that all persons conducting the audit and interpreting its results understand the criteria to determine if an item is "found" or is "not found" and the financial implications of such a finding. These standards, or guidelines, should be clearly documented and communicated so that all parties have a common understanding of what will constitute a compliant item. If the ASD's scoring and re-scoring criteria were known in advance, as is the normal procedure in conducting an audit, the Company could have gathered additional audit evidence in accordance with such requirements. Additionally, the Company could have provided documentation and/or explanations along with the evidence submitted in order to prove that such evidence was "probative" in nature. At a minimum, knowledge of the ASD's re-scoring standards would have facilitated a more efficient, if not more accurate, process of both gathering additional documentation to evidence the existence of sampled COE items (by the Company) and reviewing and evaluating the reliability and validity of such documentation (by the ASD).

As a result, ASD's re-scoring standards and methodology were deficient with respect to the timing of their communications to the auditee, the restrictive and arbitrary use of the "probative evidence" standard, the disregard of pertinent authoritative standards for the determination of sufficient and competent evidential matter, and the failure of ASD to review internal controls in order to determine what evidence could be

relied on. Such deficiencies render the re-scoring process and the audit results determined therefrom unreliable.

PROPRIETY OF ATTRIBUTING AUDIT RESULTS TO PRIOR PERIODS

The ASD performed a physical verification of hardwired COE assets in order to verify the existence of such assets as of the audit date (July 31, 1997 in the case of the Company). "Assertions about existence or occurrence address whether assets of liabilities of the entity exist at a given date and whether recorded transactions have occurred during a given period."[27] In other words, procedures performed to test the existence of assets are relevant only to the point of time (given date) at which such procedures were performed.

Certain audit tests can be performed at dates other than the financial statement date in accordance with GAAS. When performing such tests, however, additional testing must be performed in order to provide the auditor adequate assurance that the test results remain valid throughout the period of time from the testing date to the financial statement date, as discussed below:

> Substantive tests should be designed to cover the remaining period in such a way that the assurance from those tests and the substantive tests applied to the details of the balance as of the interim date, and any audit assurance provided from the assessed level of control risk, achieve the audit objectives at the balance-sheet date.[28]

The standards go on to state that there are many factors that the auditor must consider in the performance of procedures at an interim date and the application of the results of such procedures to the balance sheet date, including:

- The nature and effectiveness of relevant internal controls, and
- Changes in business conditions or circumstances that may render the interim test results unreliable or misrepresentative, and
- Whether the balances of the particular accounts are reasonably predictable with respect to amount, relative significance and composition.

The performance of additional substantive tests to cover the remaining period **must** also be performed in order to "provide a reasonable basis for extending to the balance-sheet

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[27] AICPA, Statements on Auditing Standards, AU Section 326: Evidential Matter, "Nature of Assertions."

[28] AICPA, Statements on Auditing Standards, AU Section 313: Substantive Tests Prior to the Balance-Sheet Date, "Extending Audit Conclusions to the Balance-Sheet Date."

date the audit conclusions relative to the assertions tested directly or indirectly at the interim date."[29]

While the above guidance is relevant specifically to the extension of audit conclusions from an interim date to the balance sheet date, the same logic applies in the extension of audit conclusions to a prior date. In this case, the issue is whether any of the ASD's audit conclusions as of July 31, 1997 (audit date) can be applied back to the initialization of interstate price cap rates (January 1, 1991). An analysis of authoritative auditing standards indicates that such an attribution cannot be made:

- The ASD did not review internal controls over the hardwired COE accounts throughout the period from 1991 to 1997. Thus, no assumptions can be made with respect to the controls designed and in place throughout that period. Clearly one cannot assume that asset overstatements, to the extent that they exist, were equal to, higher or lower than July 31, 1997 levels.

- Obviously the telecommunications industry has undergone significant change throughout the 1990's. The impacts of economic, industry, business process, systems and personnel changes render any application of 1997 test results back to 1991 meaningless.

- The nature and amount of hardwired COE assets has changed significantly over time, from electromechanical to analog to digital switching technology, for example.

- Finally, and most importantly, no substantive tests were performed during the period from 1997 back to 1991 that provide the ASD any basis for applying the audit results back to prior periods.

As the ASD did not perform any audit tests covering the period from June 30, 1997 back to January 1, 1991, there is no basis to attribute its June 30, 1997 audit conclusions back to that date. Similarly, there is no basis to suggest that a rate reduction is required due to the Company's initial price cap rates being inflated.

IMPROPRIETY OF "PHANTOM PLANT" CONTENTIONS

AT&T and MCI WorldCom suggest in their comments that many of the Company's hardwired COE assets, including both assets "not found" and undetailed investment, were never placed in service. This contention was never raised in the ASD's Audit Report for good reason - the ASD audit was neither designed nor performed with the intent to draw such conclusions. As noted above, the type of audit performed by the ASD does not support an opinion of any kind with respect to the fairness of COE plant account balances. Only the specific procedures performed and the findings related to those specific procedures can be reported on. There were no procedures performed with

[29] Id.

respect to determining the root cause of any of the ASD's findings - thus, no conclusions can be drawn with respect to such potential causes.

The only way to assess whether there are hardwired COE assets that have been recorded on the Company's books but never placed in service is to perform tests of the Company's internal controls, methods and procedures with respect to the hardwired COE procurement process. Such tests can include both compliance tests of the effectiveness of internal controls over COE plant additions as well as substantive tests to ensure that all, and only, actual plant additions were recorded on the books. The ASD's audit did not include such tests.

An even more troubling implication of these "phantom plant' contentions is that the Company has intentionally misstated its financial records by recording assets in the financial statements that never existed - in other words, significant fraudulent financial reporting has occurred. Clearly this is not the case. GAAS require the independent auditor, on an annual basis, "to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud."[30] AA has performed the audits of Ameritech's consolidated financial statements beginning in 1984. Our audit work from 1984 to the present date has uncovered no instances of material misstatement of the financial statements due to fraud.

CONCLUSION

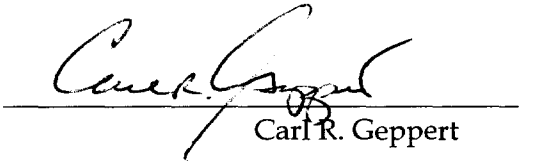
In summary, the ASD's limited physical verification audit procedures were not sufficient to form an opinion, in accordance with GAAS, as to the fair presentation of the Company's hardwired COE plant investment. ASD's reliance on GAGAS was both misstated and narrowly selective and is insufficient to compensate for those provisions of GAAS not used in the audit plan or execution. Specifically, ASD's failure to conduct corroborating testing of internal controls and ledger account balances and their failure to completely and consistently evaluate the significant evidential matter submitted by the Company and external sources, including Arthur Andersen, together with previously identified audit deficiencies, render the audit findings, conclusions and recommendations unreliable. Additional quality control procedures over the physical verification tests that were performed as well as additional compliance and/or substantive audit procedures would be necessary to render an opinion on the fair presentation of the Company's COE account balances pursuant to GAAS.

[30] AICPA, Statements on Auditing Standards, AU Section 316: Consideration of Fraud in a Financial Statement Audit, "Introduction."

This concludes my declaration.

Pursuant to 47 C.F.R. Section 1.16, I declare under penalty of perjury that the foregoing is true and accurate to the best of my knowledge and belief.

Executed this 25th day of October 1999.



Carl R. Geppert

Exhibit C

JOINT DECLARATION OF

ROBIN M. GLEASON

AND JANE KNOX

EXHIBIT C

JOINT DECLARATION OF ROBIN M. GLEASON and JANE KNOX

I. INTRODUCTION AND SUMMARY

I, Robin M. Gleason, am Director of Regulatory Finance for Ameritech. I have responsibility for regulatory compliance in the areas of accounting, finance, and economic and cost studies including the timely and systematic depreciation of Ameritech's depreciable assets in its five-state territory.

I, Jane Knox, am a Director of Accounting for Southwestern Bell Telephone Company (SWBT). I am responsible for the timely and systematic depreciation of SWBT's depreciable assets in its five-state territory. This responsibility includes the determination of economic lives and future net salvage percentages for SWBT's depreciable assets. I also have responsibility for regulatory compliance in areas of accounting and finance for the federal jurisdiction. This includes compliance with Part 32 and generally accepted accounting principles.

We have reviewed the report filed in this proceeding by MCI WorldCom, which was prepared by Snavely King Majoros O'Connor & Lee, Inc. and authored primarily by Richard B. Lee. [1]The Report purports to show that missing plant results in an overstatement of ILEC revenue requirements. It is alleged that such overstatement is the result of two factors. First, the plant which was never placed in service increases an ILEC's revenue requirement through both an overstated ratebase and depreciation expense. Second, delayed or omitted retirements increase an ILEC's revenue requirement through an increase in depreciation expense. The Report maintains that the exposition of Ameritech which showed that delayed retirements have no impact on depreciation expense, and hence revenue requirements, was in error.

In this declaration, we show that the Report misconstrues and mischaracterizes Ameritech's exposition, contains erroneous assumptions and statements, and uses a faulty numerical example. We further show, using the Report's numerical example, that delayed retirements have no impact on an ILEC's revenue requirement. To the contrary, using realistic depreciation parameters of a lower projection life and a prescribed Central Office Equipment curve shape, we show that delayed retirements may have actually understated depreciation expense and hence, understated an ILEC's revenue requirements to the benefit of customers.[2] At a minimum, therefore, there has been no customer harm with any delayed or omitted retirements.

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[1] See MCI WorldCom Comments, Attachment 2, "Report on the Impact of Missing Plant on ILEC Revenue Requirements", Prepared by Snavely King Majoros O'Connor & Lee, Inc., September 23, 1999, ("the Report").

[2] A projection life is that life prescribed by the Commission used to weight the vintage distribution of plant to derive the remaining life used in the calculation of the depreciation rate. A curve shape is a distribution of surviving plant, a parameter also used in the derivation of the depreciation rate.

II. THE SNAVELY KING REPORT

a. Mischaracterization of Ameritech's Exposition

The Report maintains that Ameritech's numerical illustration was flawed in that the same remaining life of 4 years was used in the calculation of the depreciation rate with both proper retirements and delayed retirements. This is in error, according to the Report, because the remaining life would have increased to 5 years with proper retirements, which in turn would result in lower depreciation expense. The Report however, mischaracterizes Ameritech's illustration. [3]Ameritech explicitly qualified the illustration as a simplified example noting that there may be temporary under or overstatements of depreciation expense because depreciation rates may not be set each year. These possible temporary under or overstatements would self-correct with the Commission's required remaining life depreciation methodology. Ameritech continued its numerical illustration with this explicit qualification, which the Report chose to ignore. Further, Ameritech included in its exposition the qualification that if retirements had been made earlier, a shorter projection life would likely have been prescribed by the Commission resulting in increases in both the depreciation rate and the resultant depreciation expense.

b. Erroneous Assumptions and Statements

The Report uses the following unfounded statements and erroneous assumptions as support for its conclusions:

(1) There is no basis to maintain, as the Report does, that some plant was never placed in service and that this so-called phantom plant overstates an ILEC's ratebase and depreciation expense. [4]The ASD audit reports reached no such conclusion nor could they possibly reach any such conclusion. Contrary to the requirements of generally accepted auditing standards (GAAS), there was no corroborating testing of ILEC general account balances, processes, or controls which renders the results unreliable to opine on the fair presentation of an ILEC's assets. [5]The Report maintains, that with virtual certainty, some plant was never placed in service, but has no support for this position.

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[3] See Ameritech's Response of January 11, 1999 to the Accounting Safeguards Division's (ASD) December 22, 1998 Draft Audit Report at Pages 12-14 ("Ameritech's Response").

[4] See the Report at Pages 5-6.

[5] See Comments of Ameritech at Page 4; Declaration of Mr. Carl Geppert of Arthur Andersen LLP; See Comments of SBC at Pages 27-33; See Reply Comments of SBC, Declaration of Mr. Carl Geppert of Arthur Andersen LLP at Page 13.

(2) The Report's reliance on the affiant in the response of Bell Atlantic, Dr. Ronald White, to support the contention that the depreciation rate would not have changed with proper retirements, and thereby result in increased depreciation expense and an overstated revenue requirement, is misplaced. [6] Dr. White's exposition correctly concludes that without knowing when the alleged delayed or omitted retirements were taken out of service, precise quantification of the impact on the remaining life is virtually impossible. [7]The affiant in the comments of the United States Telephone Association, Dr. William Taylor, also recognized this.[8] Despite this inability to determine the precise quantification, it is commonly accepted that the remaining life depreciation methodology is self-correcting as Ameritech described in its simplified illustration. It is also important to recognize that, in the context of a simplified illustration, since depreciation rates are not continuously recalculated, retirements could affect the remaining life through the Commission's represcription process. Not to recognize the dynamics of the depreciation process, as the Report apparently does, is erroneous.

(3) The Report maintains that the projection life would not be affected by any delayed retirements and, based on this assumption, the depreciation expense would increase.[9] The projection life of the plant in this situation however, would likely increase when retirements are made in a timely manner (See Section III and Attachment 1). While SBC does not support the determination of projection lives, or other depreciation parameters, based primarily on extrapolations of retirements, the Commission does develop its depreciation factors, including projection lives, in large part on the basis of retirement patterns for the plant category.[10] Had the retirements been made timely, their impact likely would have been to shorten the projection life.[11] During SWBT's recent depreciation represcription meeting for example, the Commission offered no other technique explaining the manner in which SWBT's depreciation parameters were established. To hold the projection life constant at 10 years in a simplified illustration, as the Report does, is erroneous.

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[6] See the Report at Pages 8-9.

[7] See Response of Bell Atlantic, January 11, 1999, Affidavit of Ronald E. White, Exhibit 5 at Pages 5-7.

[8] See Comments of the United States Telephone Company, CC Docket No. 99-117, Affidavit of William E. Taylor, at Pages 8-9.

[9] See the Report at Pages 9-10.

[10] See Public Utility Depreciation Practices, National Association of Regulatory Utility Commissioners, August 1996, at Page 126, "Projection life is a projection, or forecast, of the future of the property. Historical Indications may be useful in estimating a projection life curve. Certainly the observations based on the Property's history are a starting point."

[11] Perhaps most telling that retirement levels impact the represcription process is in the Commission's recent notice on depreciation reform where the Commission proposed changes in the life ranges for only one account, Digital Switching, "We expect that the retirement rates for digital switching will continue to increase and therefore we propose to expand the range for digital switching equipment from a range of 16 to 18 years to a wider range of 13 to 18 years." See Review of Depreciation Requirements for Incumbent Local Exchange Carriers, Notice of Proposed Rulemaking, CC Docket No. 98-137, released October 14, 1998, at Paragraph 11. Clearly, retirements play a role in the Commission's represcription Process.

c. Faulty Numerical Example

In the Report's analysis of Ameritech's numerical illustration, it is charged that the "flaw in Ameritech's analysis is that the remaining life would not be the same given proper retirements." [12]The Report further conjectures that the effect of the change in the remaining life in the depreciation rate formula would yield the same depreciation rate. Since the investment was higher than it should have been due to delayed retirements, the Report concludes that depreciation expense would have been overstated due to the application of the depreciation rate to the higher investment.

The Report's illustration fails to recognize the self-correcting remaining life methodology. As the declaration of Marla Martin filed in SBC's comments state,

"the impact of a retirement on ratemaking is largely depreciation related and depreciation is an issue of timing, not amount. Under ROR regulation, a change in company costs, both capital costs (return on investment) and operating expenses, can change customer prices. Normal retirements may change company costs temporarily for any given year, but do not change total costs over time and thus produce no significant ratemaking impacts. This is due to several factors:

(1) using group depreciation there is no impact on net investment from a normal retirement, and consequently, there is no impact on return and ultimately customer prices:
(2) remaining life depreciation rates are self-correcting and as a result, depreciation rates change to reflect prior under or over depreciation: and
(3) depreciation produces two separate but related impacts on revenue requirement, which move in opposite directions. If depreciation expense increases, then depreciation reserve increases and net investment, upon which return is calculated, decreases, and vice versa."

The self-correcting remaining life methodology was recognized by other commenters and illustrated in Ameritech's example, but ignored in the Report. [13]The Report further uses the erroneous assumption in its illustration that proper retirements would have no impact on the prescribed projection life. While the precise impact on the remaining life due to delayed retirements may be uncertain, holding the projection life constant in a simplified illustration is invalid and not reflective of current depreciation practices. As previously discussed, the Commission's reliance on retirements in setting depreciation parameters would likely have an impact on the projection life. Moreover, with proper retirements, amortizations of the depreciation reserve deficiencies, which the Commission authorized beginning in the mid-1980s, would have been even greater because the depreciation reserve level would have been lower with proper retirements. This means that depreciation expense was not overstated in the initialization of price caps from any impact delayed retirements may have had.

[12] See the Report at Page 8.

[13] See Comments of BellSouth at Exhibit 6; See Footnote 7.

III. DELAYED RETIREMENTS HAVE NO IMPACT ON AN ILECS REVENUE REQUIREMENTS

Using the Report's analysis of Ameritech's simplified illustration and reducing the projection life by 1 year, from 10 to about 9, to reflect the impact proper retirements could have on setting the depreciation parameters, shows that there is no change in depreciation expense, consistent with Ameritech's initial illustration. It is not unrealistic to expect the projection life to be reduced by 1 year based on trending retirement patterns. If the rapid pace of changes in technology and competition are factored into the analysis, it is not unrealistic to expect that the projection life would have been reduced even more.

Contrary to the Report's conclusion that depreciation expense is overstated with delayed retirements, reducing the projection life by 1 year while continuing to use the Report's retirement pattern and square curve shape results in the depreciation expense level remaining the same at $50 M had the retirements been made properly, as shown on Attachment 1. Consequently, in this simplified illustration, with no change in depreciation expense, there would be no effect on the ILEC's revenue requirement, and no customer harm.[14]

Further, reducing the projection life by 1 year to reflect proper retirements and using a prescribed curve shape for Central Office Equipment, results in a higher depreciation rate and higher amount of depreciation expense than if the retirements had been delayed -- $ 47 M compared to $ 43 M in this simplified illustration. [15]This result, as shown on Attachment 3, shows that the ILEC's depreciation expense may actually have been understated with any delayed retirements to the benefit of customers.

IV. CONCLUSION

The illustration and conclusions of the Snavely King Report are based on erroneous assumptions and statements. Using the Report's numerical example, we have shown that delayed retirements have no impact on an ILEC's revenue requirement when the projection life is reduced to reflect increased retirements. Further, using realistic assumptions and more appropriate depreciation parameters, we have shown that delayed retirements may have understated depreciation expense and hence, understated an ILEC's revenue requirements. At a minimum therefore, there has been no customer harm with any delayed or omitted retirements.

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[14] See Attachment 1 which shows that the depreciation expense with both proper retirements and delayed retirements remains at $50 M with a slight decline in the projection life from 10 years to about 9 years. Attachment 2 achieves the same result using reciprocal weighting as calculated in the Report.

[15] See Attachment 3 which shows that the depreciation expense with proper retirements is $ 47 M and with delayed retirements is $43 M using a slight decline in the projection life from 10 years to about 9 years and a Commission prescribed Central Office Equipment curve shape. Attachment 4 achieves the same result using reciprocal weighting as calculated in the Report.

Submitted,

Robin M. Gleason

Robin M. Gleason
Director of Regulatory Finance
Ameritech

Jane Knox
Director of Accounting
Southwestern Bell Telephone Company

October 21, 1999

Attachment 1

Remaining Life Calculation
Direct Weighting
(Dollars in Millions)

Vintage	Age (a)	Proper Retirements: Remaining Life (b)	Proper Retirements: Investment (c)	Proper Retirements: Weight (d = b*c)	Delayed Retirements: Remaining Life (e)	Delayed Retirements: Investment (f)	Delayed Retirements: Weight (g = e*f)
1997	0.5	8.45	40	338	9.5	40	380
1996	1.5	7.45	40	298	8.5	40	340
1995	2.5	6.45	40	258	7.5	40	300
1994	3.5	5.45	40	218	6.5	40	260
1993	4.5	4.45	40	178	5.5	40	220
1992	5.5	3.45	40	138	4.5	40	180
1991	6.5	2.45	40	98	3.5	40	140
1990	7.5	1.45	40	58	2.5	40	100
1989	8.5	0.45	40	18	1.5	40	60
1988	9.5	0	40	0	0.5	40	20
1987	10.5	0	0	0	0	40	0
1986	11.5	0	0	0	0	40	0
1985	12.5	0	0	0	0	20	0
Totals			400	1602		500	2000
Average Remaining Life (Weight / Investment)				4.0			4.0
Reserve				200			300
Reserve %				50%			60%
Remaining Life Rate (100% - Reserve %) / ARL				12%			10%
Depreciation Expense (Investment * RL Rate)				50			50
Projection Life				8.95			10.00

Attachment 2

Remaining Life Calculation
Reciprocal Weighting
(Dollars in Millions)

		Proper Retirements					Delayed Retirements				
Vintage	Age (a)	Remaining Life (b)	Investmen (c)	ASL Weight (d = c/(a+b))	Net Plant (e = (b*c)/ASL)	RL Weight (f = e/b)	Remaining Life (g)	Investmen (h)	ASL Weight (i = h/(a+g))	Net Plant (j = (g*h)/ASL)	RL Weight (k = j/g)
1997	0.5	8.45	40	4.5	37.4	4.4	9.50	40	4.0	36.9	3.9
1996	1.5	7.45	40	4.5	33.0	4.4	8.50	40	4.0	33.0	3.9
1995	2.5	6.45	40	4.5	28.5	4.4	7.50	40	4.0	29.1	3.9
1994	3.5	5.45	40	4.5	24.1	4.4	6.50	40	4.0	25.2	3.9
1993	4.5	4.45	40	4.5	19.7	4.4	5.50	40	4.0	21.3	3.9
1992	5.5	3.45	40	4.5	15.3	4.4	4.50	40	4.0	17.5	3.9
1991	6.5	2.45	40	4.5	10.8	4.4	3.50	40	4.0	13.6	3.9
1990	7.5	1.45	40	4.5	6.4	4.4	2.50	40	4.0	9.7	3.9
1989	8.5	0.45	40	4.5	2.0	4.4	1.50	40	4.0	5.8	3.9
1988	9.5	0.45	40	4.0	2.0	4.4	0.50	40	4.0	1.9	3.9
1987	10.5	0.45	0	0.0	0		0.50	40	3.6	1.9	3.9
1986	11.5	0.45	0	0.0	0		0.50	40	3.3	1.9	3.9
1985	12.5	0.45	0	0.0	0		0.50	20	1.5	1.0	1.9
Totals			400	44.2	179.2	44.2		500	48.5	199	48.5
Average Service Life (Investment / ASL Weight)						9.04				10.3	
Average Remaining Life (Net Plant/RL Weight)						4.1				4.1	
Projection Life						8.95				10.00	

Attachment 3

Remaining Life Calculation
Direct Weighting
(Dollars in Millions)

Vintage	Age (a)	Proper Retirements: Remaining Life (b)	Proper Retirements: Investment (c)	Proper Retirements: Weight (d=b*c)	Delayed Retirements: Remaining Life (e)	Delayed Retirements: Investment (f)	Delayed Retirements: Weight (g=e*f)
1997	0.5	5.78	40	231	6.46	40	258
1996	1.5	5.45	40	218	6.15	40	246
1995	2.5	5.09	40	204	5.79	40	232
1994	3.5	4.73	40	189	5.43	40	217
1993	4.5	4.39	40	176	5.08	40	203
1992	5.5	4.07	40	163	4.75	40	190
1991	6.5	3.76	40	150	4.43	40	177
1990	7.5	3.48	40	139	4.13	40	165
1989	8.5	3.21	40	128	3.85	40	154
1988	9.5	2.97	40	119	3.59	40	144
1987	10.5	0	0	0	3.34	40	134
1986	11.5	0	0	0	3.11	40	124
1985	12.5	0	0	0	2.89	20	58
Totals			400	1717		500	2302
Average Remaining Life (Weight / Investment)				4.3			4.6
Reserve				200			300
Reserve %				50%			60%
Remaining Life Rate (100% - Reserve %) /ARL				12%			9%
Depreciation Expense (Investment * RL Rate)				47			43
Projection Life				8.95			10.00

Note Calculated using FCC prescribed curve from 1995.

Attachment 4

Remaining Life Calculation
Reciprocal Weighting
(Dollars in Millions)

		Proper Retirements						Delayed Retirements				
Vintage	Age	Remaining Life	Investment	ASL Weight	Net Plant	RL Weight		Remaining Life	Investment	ASL Weight	Net Plant	RL Weight
	(a)	(b)	(c)	(d=c/(a+b))	(e= (b*c)/ASL)	(f=e/b)		(g)	(h)	(i=h/(a+g))	(j= (g*h)/ASL)	(k=j/g)
1997	0.5	5.78	40	6.4	26.1	4.5		6.46	40	5.7	25.2	3.9
1996	1.5	5.45	40	5.8	24.6	4.5		6.15	40	5.2	24.0	3.9
1995	2.5	5.09	40	5.3	23.0	4.5		5.79	40	4.8	22.5	3.9
1994	3.5	4.73	40	4.9	21.3	4.5		5.43	40	4.5	21.1	3.9
1993	4.5	4.39	40	4.5	19.8	4.5		5.08	40	4.2	19.8	3.9
1992	5.5	4.07	40	4.2	18.4	4.5		4.75	40	3.9	18.5	3.9
1991	6.5	3.76	40	3.9	17.0	4.5		4.43	40	3.7	17.3	3.9
1990	7.5	3.48	40	3.6	15.7	4.5		4.13	40	3.4	16.1	3.9
1989	8.5	3.21	40	3.4	14.5	4.5		3.85	40	3.2	15.0	3.9
1988	9.5	2.97	40	3.2	13.4	4.5		3.59	40	3.1	14.0	3.9
1987	10.5	0	0	0.0	0.0	0.0		3.34	40	2.9	13.0	3.9
1986	11.5	0	0	0.0	0.0	0.0		3.11	40	2.7	12.1	3.9
1985	12.5	0	0	0.0	0.0	0.0		2.89	20	1.3	5.6	1.9
Totals			400	45.1	193.6	45.1			500	48.7	224.1	48.7
Average Service Life (Investment / ASL Weight)						8.87						10.27
Average Remaining Life (Net Plant / RL Weight)						4.3						4.6
Projection Life						8.95						10.00

Note: Calculated using FCC prescribed curve from 1995.

CERTIFICATE OF SERVICE

I, Katie M. Turner, hereby certify that the foregoing "REPLY COMMENTS OF SBC COMMUNICATIONS INC." in CC Docket No. 99-117 and ASD File No. 99-22 has been filed this 25th day of October, 1999 to the Parties of Record.

Katie M. Turner

October 25, 1999

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